

Message Text

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PAGE 01 GEORGE 00100 231302Z

46

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 FEA-02 INT-08 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10

SS-20 STR-08 CEA-02 H-03 SCI-06 NEA-11 AF-10 EUR-25

EA-11 DRC-01 /210 W

----- 060094

R 222030Z JAN 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 9257

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

AMEMBASSY CARACAS

LIMITED OFFICIAL USE GEORGETOWN 0100

E.O. 11652: N/A

TAGS: ENRG, GY

SUBJECT: ENERGY: OFFSHORE OIL DRILLING TO BEGIN IN MARCH: MEANWHILE

QUESTION ARIES WHETHER GUYANA CAN AFFORD OIL IMPORT BILL

OT CURRENT PRICES

1. SHELL (GUYANA) LTD., HAS CONTRACTED WITH US FIRM-GLOBAL MARINE-TO BEGIN OFFSHORE DRILLING ABOUT MARCH THIS YEAR. PROPOSED SITE LOCATED ABOUT 75 MILES NORTHEAST GEORGETOWN AT 150-200 FOOT DEPTH (7 DEGREES, 20 MINUTES NORTH, 57 DEGREES WEST). GLOBAL MARINE EXPECTED TO DRILL SEVERAL HOLES AND POSSIBLY GET CONTRACT TO DRILL IN ADJACENT CONCESSION HELD BY DEMINEX (WEST-GERMAN OWNED). IN 1971 SHELL FOUND OIL AND GAS BEARING LAYERS AT EDGE OF CONTINENTAL SHELF. GOG COUNTING ON ECONOMICALLY VIABLE STRIKE THIS TIME ESPECIALLY TO OFFSET WHAT PROMISES TO BE A YEAR OF TRADE AND PAYMEMMS DEFICITS EVEN WORSE THAN LAST YEARS.

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PAGE 02 GEORGE 00100 231302Z

2. PROJECTED OIL PRODUCTS IMPORT BILL OF \$40 MILLION (ALL \$US) MORE THAN TRIPLE 1972 FIGURE, COULD CONSTITUTE BETWEEN 25-30 PERCENT OF TOTAL IMPORTS BY VALUE. GUYBAU (GUYANA BAUXITE COMPANY) ALONE WILL PROBABLY CONSUME \$17 MILLION IN BUNKER 'C' AND DIESEL FUEL. SINCE GUYBAU DEMAND IS PRICE INELASTIC, WILL EITHER HAVE TO PASS ON MORE THAN \$12 MILLION INCREASE IN COST OF PRODUCTION TO BUYERS, OR OPERATE AT NET LOSS. (EMBASSY REPORTING SEPARATELY ON GUYBAU DIFFICULTIES.)

3. INTERESTINGLY ENOUGH, OIL*PRICE RISES ARBITRARILY BROUGHT ABOUT BY ARABS WERE DEFENDED PUBLICLY BY GOG MINISTER OF FOREIGN AFFAIRS RAMPHAL IN RADIO INTERVIEW ON JANUARY 20. PRONOUNCING "THE DAWN OF A NEW INTERNATIONAL ECONOMIC ORDER" RAMPHAL OPINED THAT IN LONG RUN ARAB ACTION WOULD CREATE FAVORABLE TERMS OF TRADE FOR ALL LDC'S AND WOULD RESULT IN NET TRANSFER OF RESOURCES FROM RICH NATIONS TO POOR. FULSOME PRAISE OF ARABS NOT SURPRISING CONSIDERING FRANTIC EFFORTS BY GOG TO GET SPECIAL TREATMENT FROM MIDDLE EAST OIL PRODUCERS AND RIGID GOG SUPPORT FOR NON-ALIGNED POLICY LINE OFTEN DICTATED BY ARABS. KING

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